



**STATEMENT OF MAYOR ANTHONY M. MASIELLO
BEFORE THE SURFACE TRANSPORTATION BOARD
MARCH 8, 2000**

STB EX PARTE NO. 582

PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

My name is Anthony M. Masiello and I am the Mayor of the City of Buffalo, which is located within Erie County of New York State.

I wish to thank Chairperson Morgan, Vice Chairman Burkes and Secretary Williams for holding this vitally important hearing regarding the subject of major railroad consolidations and the effect such activity can and will have on the rail industry and commercial businesses now and in the future.

I would also like to thank my good friend Congressman Jack Quinn for generously sharing his time with me this morning, so that I might provide the Surface Transportation Board with the perspective of an elected official who daily seeks to find ways in which to enhance and strengthen the economy of Buffalo, New York.

As you are aware the rise and predominance of railroads in America had as much to do with the growth and early economic vitality of Buffalo as did the construction and operation of the legendary Erie Canal. Still, despite the vagaries of several decades of

industrial decline and shifts in commercial activity, Buffalo remains the prime gateway and interchange for railroad activity between the Northeastern United States and Canada, our nation's largest trading partner.

As has been well documented and reported, the recent changes in Conrail operations, with the division of its former service area between CSX and Norfolk Southern, has had a profound effect on commercial businesses in and around Buffalo. While that situation may ultimately be rectified, I am concerned that our region's economy, with businesses accounting for approximately 25,000 railroad dependent jobs, could be subjected to additional problems associated with rail consolidations and mergers.

For that reason, I urge the STB to review all merger/consolidation proposals with utmost care and sensitivity to the areas of our country, like Buffalo and Western New York, who can ill afford outcomes of rail mergers/consolidations that drive up shipping costs for local manufacturers, increase the time it takes shippers to move their product and ultimately create a scenario where one rail company controls the rail lines in and out of a particular market area.

The STB should not withhold its ability to curtail anti-competitive mergers/consolidations by mandating open competition via demanding more track rights for railroads dependent upon another railroad line for market access or providing reciprocal switching rights for railroads that serve the same market area. Whatever the STB's decision may be relative to a merger/consolidation proposal, the Board's decision must not be finalized without first accounting for the effect such activity will have on local businesses, communities and rail-dependent shippers.

I share the concerns of Congressman Quinn and many of the other Buffalo-area individuals who will testify before you, particularly Dr. Ronald Coan of the Erie County Industrial Development Agency, who knows all too well the effect of the Conrail break-up and the problems that emerged as a result of CSX and Norfolk Southern's subsequent takeover of the former Conrail rail lines. As a result high shipping rates and the absence of true rail competition has hurt our region's rail-dependent businesses. They are faced with only one rail shipping option and are confronted with high reciprocal switch rates, which inhibits their ability to move their goods in a truly competitive environment.

With local estimates of \$650 million in locally generated rail revenues for all class 1 carriers, it is essential that the STB examine very carefully and intensively all future proposed mergers/consolidations. In particular, I urge the STB to consider very seriously the testimony you hear during these hearings when you come to consider the proposed CN-BNSF merger proposal. I concur with Dr. Coan that the STB must require a broad and comprehensive review of this proposal, which must include an economic impact analysis, particularly for region like Buffalo and Western New York that will certainly bear the impact of such a merger.

And like Congressman Quinn, I am steadfast in my belief that any proposed merger between CN and BNSF does not further congest or disrupt rail shipping in and around Buffalo. CN has proposed a multi-million intermodal shipping facility in South Buffalo, which could have a very positive impact locally, but if the attendant shipping rates, rail access issues and congestion problems are not addressed by the STB prior to approving the CN-BNSF merger, then the subsequent merger could do more harm than good.

Over the past several years, the City of Buffalo, with the assistance of Congressman Quinn and the other members of our Congressional delegation, has made great progress in our effort to stabilize our economy, create new jobs, attract new businesses and spark investment in our city.

Inc. Magazine in its December 1999 issue placed Buffalo among the nation's top fifty metro areas in the nation for starting and growing a business. A recent edition of Site Selection magazine placed the Buffalo-Niagara Falls region among the nation's top twenty-five metropolitan areas for corporate openings or expansion, so something must be right. It is therefore incumbent upon the STB to examine merger proposals such as the CN-BNSF proposal with the utmost care and understanding of the impact such mergers could have on communities such as Buffalo.

Thank you for the opportunity to speak before you today.